M I N U T E S

FINANCE / PARKS & RECREATION / PUBLIC WORKS PROGRAMS COMMITTEE MARCH 7, 2012

A meeting of the Finance / Parks & Recreation / Public Works Programs Committee of the Council of the County of Kaua'i, State of Hawai'i, was called to order by Mel Rapozo, Vice Chair, at the Council Chambers, 4396 Rice Street, Room 201, Līhu'e, Kaua'i, on Wednesday, March 7, 2012, at 11:32 a.m., after which the following members answered the call of the roll:

Honorable Mel Rapozo
Honorable Nadine K. Nakamura
Honorable JoAnn A. Yukimura

Honorable Jay Furfaro, Ex-Officio Member
Honorable Dickie Chang, Ex-Officio Member

Excused: Honorable Tim Bynum
Honorable KipuKai Kuali'i

The Committee proceeded on its agenda items, as follows:

Bill No. 2425 — A BILL FOR AN ORDINANCE TO AMEND CHAPTER 5A OF THE KAUA'I COUNTY CODE 1987, AS AMENDED, RELATING TO HOME EXEMPTIONS **[This item was deferred.]**

Ms. Yukimura moved to approve Bill No. 2425, seconded by Ms. Nakamura.

Committee Vice Chair Rapozo: May the record reflect that no members from the public are at today's Committee Meeting. We do have the Finance Department here. Any discussion before we call the Administration up? My plan is to have some discussion and get some questions. I know some of the members including myself had some questions. I know that Council Chair had to depart for a meeting with the Mayor. I'm not sure if he'll be back before lunch. I hoping to be finished with this discussion by lunch so that we don't have to come back after lunch, because we have a 1:30 Special Council Meeting in Executive Session. Any discussion before we call up the Administration?

Ms. Yukimura: I just want to say I was planning to be with the Mayor too because it's the signing of the bus bill in ten (10) minutes, but let's see, do you have a quorum?

Committee Vice Chair Rapozo: Not if you leave.

Ms. Yukimura: No.

Committee Vice Chair Rapozo: No.

Ms. Yukimura: Okay.

Committee Vice Chair Rapozo: Well may the record reflect that Councilmember Kuali'i is also excused because he is also on the Committee. I do apologize.

Ms. Yukimura: So I don't know how long, I mean I think ultimately we plan to defer this bill?

Committee Vice Chair Rapozo: Yes, but I do have some questions that I want to get and I think it's important that the public gets... I have personally been flooded with emails from the public based on some representations that were made by Councilmember Bynum as far as his bill. I want to have an opportunity to share some concerns that I have relating to the bill.

Ms. Yukimura: Mr. Chair, may I ask the indulgence of the Committee to recess for about twenty (20) minutes?

Committee Vice Chair Rapozo: Is that a problem for the Administration? You folks have to go to the bus signing bill too? Okay, why don't we break for lunch and we'll return at 12:45 p.m., and then we'll reconvene then.

There being no objections, the Committee recessed at 11:35 a.m.

The Committee reconvened at 12:50 p.m., and proceeded as follows:

Committee Vice Chair Rapozo: Any discussion before I call up the Administration?

There being no objections, the rules were suspended.

STEVEN HUNT, REAL PROPERTY REVIEW OFFICER: For the record Steve Hunt, Real Property Assessment.

Committee Vice Chair Rapozo: Thank you, Steve, for coming over on short notice. I'm not sure what the Committee will do today, I'm assuming a deferral is one of the options, but I did want to have some discussion mainly because of the amount of testimonies that I personally have received. I'm assuming it's going to all the other members as well regarding the community's desire to see this bill pass. I have some concerns of this bill. I think I made my concerns known for a while now. I will not be supporting this bill as it is written simply because I believe... I think the intent is a good one, but I believe there are many variables or moving parts that are involved that we may not get the desired result. Yes, we'll obviously set a higher exemption but not necessarily I think the results will be in the best interest of the general public here on Kaua'i. I had ask for your presence here when this bill first hit the floor months ago. I had been in contact with Wally, the Finance Director, asking the Administration if they had any plans to work on some kind of tax relief measures that were going to be targeted in certain income groups or just more refined and they had assured me that they were. We did pass the bill which implemented some changes in the real property tax structure. I understand that you have some numbers for us today, but really, what I wanted to do and I explained this to Mr. Bynum months ago, I had wanted to give the Administration the opportunity to put forth the... because you folks are the experts. None of us here are financial wizards. Mr. Furfaro definitely has some financial background with hotels, but as far as real property tax and the long reaching impacts that they may have, you folks in my opinion were the ones to come with the possible solutions. I am willing to allow that mechanism to play itself out before we start tinkering again with the property tax structure. It's the Council's responsibility to set tax rates, so regardless of what the assessment at the end of the day shows up, we're going to determine what the tax rates will be to meet the budgetary needs of this County. I look forward to a different budget session this year but for right now I think just in my opinion that to tinker with exemptions at this point without knowing the full impact, and I'll cite some personal examples or some specific examples later, but for right now, Mr. Hunt, if you don't mind, can you give us an overview of what the Administration implemented, what are the results as I realize it's preliminary, but what have we seen so far in a way of tax relief to the taxpayers of Kaua'i?

Mr. Hunt: And I'll speak to the 2012 assessment year which is ongoing obviously.

Committee Vice Chair Rapozo: Correct.

Mr. Hunt: There will be changes in 2013 which will further augment what we're doing, which really has to do with a tax of use and fairness of the tax rate, but as far as the relief measures that we have in place today, the most notable was the increase in the income exemption. It's not only resulted in an increase in the amount of exemption but those who now come forward and applied for it. In the past we used to have an AGI limit, Adjusted Gross Income, of forty thousand; we've now expanded that to a gross income qualifier, and frankly that has opened the doors for more people that we believe deserve it. They are not writing off depreciation and business expense and getting their AGI down but have a lot of cash flow income or non-taxable income, so the people that are now coming in from what we've seen, seem to be the targeted audience. Just to give you some raw numbers which I posted up here, in 2011 we had one thousand four hundred and eight-one approved income exemptions. That was at the fifty-five thousand amount, total of about eighty-one million, four hundred and fifty-five thousand in exemption dollars that were given, and I put two (2) tax rates because not everyone qualifies as a Homestead, some are in different classifications of property. They may reside there but they may have a rental which then puts them into a different tax class or the exemption spills over from the building on to the land which even in the Homestead class has a higher rate, so I put a range in there between three, forty-four which would be the very minimal amount, it would be the floor if you will based on the Homestead building rate, that's our lowest tax rate. And four, twenty-five which is your tax rate for improvements for the classifications of Ag, Conservation and Single Family. Most of the homeowners live in those classes although there are some in the condo as well which has a higher rate,but if I had to guess, somewhere between three, eighty and four dollars would probably be a more realistic range to apply that to. But the bottom line is if you look at the number of applicants we have in 2012, we have currently two thousand and twenty-two that were approved, that's an increase of about thirty-seven percent. Of course we increased the amount by sixty-five thousand as well, so the total net increase in exemption value is a hundred and sixty-one million, one hundred and eighty-five thousand, or using the tax rates we currently have, that translates into a tax relief of about, additional tax relief again comparing last year to this year of about five hundred and fifty thousand to about six hundred and eighty thousand range. Most likely it will be closer to six hundred thousand when everything's set and done. Individually on a per applicant what we're talking about, using those same ranges, is anywhere from about four hundred and twelve dollar and eighty cent tax dollar relief to about five hundred and ten dollars. And again probably four, fifty... four, sixty probably more accurate for a median if you will. Now that assumes the same tax rate exists between 2011 and 2012 and we haven't got to the rate setting portion of this. Obviously when you guys decide what rates are, that numbers could change. But this is what currently has been what we believe is a very targeted approach and we're very happy to see more applicants come in.

Committee Vice Chair Rapozo: And again preliminary numbers?

Mr. Hunt: These are preliminary numbers, the clerks are still processing exemptions that have been filed by the statutory deadline of the 29th of February.

Committee Vice Chair Rapozo: Right.

Mr. Hunt: I don't expect it to increase too much; we're getting near the end of the processing but there may be a few more.

Committee Vice Chair Rapozo: So the average number relatively should be the same?

Mr. Hunt: Should be.

Committee Vice Chair Rapozo: Okay. Councilmember Nakamura.

Ms. Nakamura: What was the income again to qualify for this relief?

Mr. Hunt: This year the qualifying gross income was fifty-six thousand, eight hundred which is eighty percent of the median income for Kaua'i. We know what that amount is for the next application because we already had our housing study that was provided I believe in October, so that amount goes to sixty thousand two hundred for the next application period.

Committee Vice Chair Rapozo: Thank you. Any other questions for Mr. Hunt? Go ahead.

Ms. Nakamura: So basically you're saying that with this amendment to this real property tax regulations that we have provided homeowner relief to those who most need it, and that is in this year it's in the range of between half a million dollars.

Mr. Hunt: To sixty thousand dollars.

Ms. Nakamura: Basically that's the message?

Mr. Hunt: Yes. To be eligible, you have to be a homeowner. It's all homeowner driven.

Ms. Nakamura: Right.

Mr. Hunt: You don't have to be a Homestead class, but you have to be a homeowner and so it is targeted.

Ms. Nakamura: Thank you very much.

Committee Vice Chair Rapozo: Thank you and a lot of this discussion has surrounded the fact that the inequity is within the various assessments of people living on the same street.

Mr. Hunt: Correct.

Committee Vice Chair Rapozo: This doesn't address that.

Mr. Hunt: No. It does not, but what I view as an opportunity is the rate setting process. I believe there are people that are probably paying too little and to bring everyone down to the lowest common denominator is probably somewhat an irresponsible approach. So because the CPIU was a little bit more than two percent (2%) this year, it was at three point seven three percent (3.73%) those that are paying far below will have an increase of that amount, and depending what you do with the rate setting process, you'll be able to bring those that are paying based on market tax down a little bit to narrow that gap.

Committee Vice Chair Rapozo: Do you know if the Administration is looking at a mechanism to bring the assessments into equity?

Mr. Hunt: Not that I'm aware of.

Committee Vice Chair Rapozo: And maybe that's not a question for you.

Mr. Hunt: Yeah.

Committee Vice Chair Rapozo: Okay. Any other questions? Go ahead.

Ms. Nakamura: I think of all the concerns raised by Councilmember Bynum that the one that and there's actually this bill before us attempts to address a lot of different concerns.

Mr. Hunt: Right.

Ms. Nakamura: But the one that to me stands out is the inequity caused by the cap for recent homebuyers that the example of the one of a given street, one family may be paying twice as much as the other family, way beyond the median caps paid. That disproportionately affects new families by first time homebuyers that are just trying to get off of the ground and so do you have any ideas on how that concern can be addressed?

Mr. Hunt: The challenges with the cap are also some of the benefits of the cap. And to address the new owners, they may qualify for the income exemption or if they're making above it, then the only way to address that is with a rate change to bring them more aligned. Now understand that the exemptions and the tax rates already, assuming there was no cap, is already highly, highly beneficial to the Homestead class to begin with. It's the people who are under the cap that are receiving those additional benefits and it's a philosophical argument. Do we reward those who are long time citizens versus someone who can be a local family who's just starting out that who has roots here, or it could be a mainland family moving here, they get treated the same. Whereas someone who's been here for thirty years living in their same house and started the cap in 2004 with their 2003 value is still benefiting greater than that. You know there were programs in the past where you would dedicate for non-speculation and receive some benefits, this is not a dedication, they're getting it incrementally each year and that cap amount grows each year and the benefits they're getting. Again it's somewhat of a policy decision more than anything else.

Ms. Nakamura: If it is a policy decision then to address this inequity, what would be the mechanism to do that? And one of the things you mentioned was to change the rate to bring it in line, but wouldn't the rate affect every property owner?

Mr. Hunt: The rate affects all of those outside of the cap because if the cap is more beneficial than the rate change, there's no change even if you drop the rate. It only affects those that are not receiving any benefit or credit from that PHU cap.

Ms. Nakamura: So we could introduce a rate change for those households above the cap?

Mr. Hunt: No, it would be a rate change that would apply to the entire category but what would happen... say for instance... let's speak hypothetically, you have someone today who's paying five hundred dollars a year in taxes because of the cap. If you were to remove the cap based on the current rates and exemption program, they would be paying a thousand. So the person who just brought in is paying a thousand and the person who's paying five hundred, there's a five hundred cap. If you were to lower the rates on those two (2) properties and the new taxes generated are seven hundred dollars for the market taxes, but the person who's still under the cap is still paying five, they still pay five, the rate change didn't affect them, they don't go up. It's only to the point when they actually cross over and there's no more credits left that they actually pay the market tax, so you brought those that are paying over the amount down closer to that balance.

Ms. Nakamura: Okay, thank you.

Committee Vice Chair Rapozo: Thank you. Any other questions? Mr. Chair did you have any questions? Okay. Thank you. Don't go nowhere because I have a feeling you'll be coming back.

There being no objections, the meeting was called back to order, and proceeded as follows:

Committee Vice Chair Rapozo: I think it's quite clear that the Administration's efforts for tax relief have already shown some positive results and again with the changes in 2013, we anticipate more. Any discussion? No discussion? Go ahead Mr. Chair.

Mr. Furfaro: Actually I have a question I'm sorry.

There being no objections, the rules were suspended.

Committee Vice Chair Rapozo: Mr. Hunt, if you can come back up, the Chair has a question.

Mr. Furfaro: Thank you for the presentation, Steve. Steve, when it comes to the consumer price index, are there any projections over like say the next three (3) years of the current pace that we're at, what that consumer price index might be? Because it's 3.70 this year.

Mr. Hunt: Right.

Mr. Furfaro: Obviously it does not look like there'll be any real change in the economy for two (2) to maybe three (3) years. Are there any projections made by the economist?

Mr. Hunt: I am unaware of any projections but I did look at the past ten (10) year history.

Mr. Furfaro: That was my next question.

Mr. Hunt: Okay and I believe and I don't have that in front of me. I'm going to go from memory if you will, I think it was between the low was about a half percent .05.

Mr. Furfaro: Yes.

Mr. Hunt: And the high was 5.6, 5.7 somewhere in that range. I believe the ten (10) year average was somewhere in the neighborhood of about 2.6, 2.7 percent.

Mr. Furfaro: Okay, that's what I was looking at.

Mr. Hunt: Just going off of memory.

Mr. Furfaro: So 2.6 percent, ten (10) year average, is there any way we can take a look if there's any economy predictions on the consumer price index that might take us to 2014 or so?

Mr. Hunt: We'll see if anything's been published. There may be something nationally; I don't know if there'd be anything as localized as Honolulu, but I'll see what I can find.

Mr. Furfaro: Any kind of research will do and be greatly appreciated. As you did with this calculation of the tax relief projections here, this low tax rate and high tax rate that you're referencing here, these are the current rates by categories?

Mr. Hunt: The three dollars and forty-four cents is the building tax rate for the Homestead class, the land tax rate is four dollars. What happens when the exemptions are exhausted as it spills over into the land, so they may be getting three, forty-four per exemption dollar up to the point where they used it all. Then they start getting four dollar credits per exemption dollars.

Mr. Furfaro: Okay.

Mr. Hunt: And same thing for... I put the high tax rate, technically the high tax rate would be seven, ninety for condo but I didn't want to have some astronomical difference between there because I really believe that the total impact is probably going to be about six hundred thousand when all is said and done.

Mr. Furfaro: Okay. Thank you Mr. Rapozo.

Committee Vice Chair Rapozo: Thank you. Any more questions? Councilmember Nakamura.

Ms. Nakamura: Steve, I have questions. When Carl Imparato testified at our last Committee Meeting, he pointed to a concern on the second page of the bill and this is section 5A-9.3 "e" "b"...

Mr. Hunt: This is the duplicated language?

Ms. Nakamura: Yes.

Mr. Hunt: Okay I remember hearing that as well.

Ms. Nakamura: And how it refers to the circuit breaker credit that how you calculate it and he made a comment that the way that it is calculated, you make a reference to this other section of the bill 5A-9.3 "e" 1 or "e" 2 and he said that he had some concerns about that reference. Did you get a chance to look at that or can you?

Mr. Hunt: Not off the top of my head. I believe Jennifer Winn is aware of it and there were some floor amendments that were done that weren't reflected in the 2013 package that needed to be readdressed, so I know there was going to be something coming back to you all for your review on her view on that. At that point we'd like to make sure we address that.

Ms. Nakamura: Okay.

Mr. Hunt: If there's any cleanup.

Ms. Nakamura: So that's a County Attorney follow up?

Mr. Hunt: Yes.

Ms. Nakamura: Thank you.

Committee Vice Chair Rapozo: Any other questions?

Mr. Furfaro: I do have one.

Committee Vice Chair Rapozo: Mr. Chair.

Mr. Furfaro: Steve, on the income line you reference fifty-six thousand eight hundred, between... that is eighty percent median of... is that right?

Mr. Hunt: Yeah.

Mr. Furfaro: Is seventy-one thousand?

Mr. Hunt: I believe it was seventy thousand five hundred or something like that.

Mr. Furfaro: Okay.

Mr. Hunt: Again from memory but that is the Kaua'i Median household income which the Housing Agency generates for us each year, it comes from HUD.

Mr. Furfaro: Well I wanted to clarify that, that's actual based on our household incomes or that's the number we're getting from HUD?

Mr. Hunt: That's the number we're getting from HUD.

Mr. Furfaro: Okay so that doesn't necessarily reflect the eighty percent median of Kaua'i households, that's the eighty percent median from HUDs housing forecast?

Mr. Hunt: Their income forecast for Kaua'i is that amount from HUD. I don't know how they arrived at that.

Mr. Furfaro: That's what I'm trying to get at, is it a Kaua'i number or is it a State?

Mr. Hunt: It is a Kaua'i number.

Mr. Furfaro: Okay because the housing number at a hundred percent is less than that, it's sixty-four thousand nine hundred, I think but this is a Kaua'i number...

Mr. Hunt: Yes.

Mr. Furfaro: ...projected by HUD and I presume they must do it from the census calculation. Do you know they do this?

Mr. Hunt: I do not. It's relied on for multiple purposes in addition to the income; it's also the basis for the long term affordable rent schedule that the Housing Agency provides us.

Mr. Furfaro: Right and I said this to the Housing Agency before and I said it to people that have given us testimony that we need to really find a way to come up with a Kaua'i number, but this number you're sharing with us, we don't necessarily have the intelligence that tell us exactly how they arrived at the median. That might be something we...

Mr. Hunt: Again I believe it is a Kaua'i number but I cannot speak as to the margin of error, or collection of data or how those forecasts are projected.

Mr. Furfaro: Okay. Is that something you can research for us?

Mr. Hunt: Something Housing should probably research for you, it's beyond my scope.

Mr. Furfaro: Okay. I will send that over to Housing because I've asked them in the past to look at maybe having the appropriate data to give us maybe a Kaua'i number for Housing. There is almost a six thousand dollar difference in these HUD Housing requirements versus this blend of HUD income averages. I'll send that question over, I just thought you might have had a little bit more.

Mr. Hunt: Just as further insight, I know when we were looking at amending the LTL program, the long term lease program, we were looking at the rents that were acceptable and at one time we were at a hundred and twenty percent of median income and then we dropped it to a hundred and more recently we dropped it to eighty. We were looking at the rent saying these are market rents. At some point someone who's able to charge twenty-two hundred dollars for a three (3) bedroom, that's what market commands, and so as we see those figures whether they're inaccurate or accurate, I think we're making the adjustments internally saying well we don't need to be at a hundred and twenty now, we need to be at eighty to reflect that someone actually providing some kind of relief. So we may go back to a hundred if those numbers are inaccurate, we may want to amend our qualifications as well too.

Mr. Furfaro: I guess that's the point I'm making that if those are the median numbers from HUD, they actually may be too high for Kaua'i and they may be too high in our rent schedules, but I'll send that question over to Housing.

Mr. Hunt: Okay.

Mr. Furfaro: Thank you very much, Steve.

Committee Vice Chair Rapozo: Thank you Mr. Chair. Anymore questions? Ms. Nakamura.

Ms. Nakamura: Steve, we received one (1) written testimony today from Walter Lewis and in his testimony he talks about what he considers to be some of the concerns about the bill as it's written, and he does not believe that the way it's written responsibly carries out the purpose of homeowner relief. One of the things that he suggests is that we amend the bill to provide the rates for the homeowner class which ultimately will provide relief. I just wanted to just clarify that the rate setting process is a separate process from this bill?

Mr. Hunt: Yes, that is correct.

Ms. Nakamura: And that rate setting process is part of the budget deliberation process that we'll be entering into in the next month or so.

Mr. Hunt: We will provide you by March 31 the certified list assessments.

Ms. Nakamura: Right, okay.

Mr. Hunt: But from that once the rate discussions begin, I cannot provide you revenue estimates until we know what those rates may be only because it affects the amount of the credits that are involved in the caps. So it's going to be a process that goes back and forth between us and you all to determine what's the appropriate rates are once you know the impacts.

Ms. Nakamura: So I just wanted to clarify that that rate setting process is separate from this bill before us and that we do not have the opportunity to amend this bill to reflect any rate changes at this point in time?

Mr. Hunt: Correct and I believe that was Councilmember Bynum's ultimate proposal, it was a two (2) prong... one (1) was first the exemption amounts, secondary was the rates. Some of the projections that he provided were based on both those scenarios happening together.

Ms. Nakamura: Right and that's the thing it's difficult to proceed not knowing the bigger revenue picture and expense picture for the County as a whole.

Mr. Hunt: Yes and it's also very difficult because it's based on 2011 figures which we're going to be down again in value for 2012. Those amounts may be even further apart and the additional impact revenue-wise could be higher than initially anticipated.

Ms. Nakamura: I think I would actually... I think Mr. Lewis presents a strategy we need to look at, but the process, the timing is really tied to the budget process, so thank you very much.

Committee Vice Chair Rapozo: Councilmember Yukimura.

Ms. Yukimura: You cannot give us revenues pictures or scenarios until we set rates, but you can take different rates and do scenarios right?

Mr. Hunt: That's correct.

Ms. Yukimura: In terms of how much revenue will be produced, we'll almost need that.

Mr. Hunt: If you had ideas of what you would like to set rates at, you could provide that and I can run the figures. It takes about an hour and a half to run the job to give you the...

Ms. Yukimura: Okay.

Mr. Hunt: Each time you want to change the rate.

Ms. Yukimura: Okay.

Committee Vice Chair Rapozo: Thank you. Any other questions? Thank you again Steve.

There being no objections, the meeting was called back to order, and proceeded as follows:

Committee Vice Chair Rapozo: Discussion?

Ms. Yukimura: Yes Mr. Chair. I'm hoping between now and the next Committee Meeting to look at some exemption scenarios, not perhaps has deep as Councilmember Bynum is proposing, because I have a feeling that's the only way other than removing the cap to actually close some of the inequities. I don't know if there's any other real way. I don't know what I will find, I don't know if I'll find something that's acceptable but I just wanted to let you know that that's what I'm going to try to look at and see if there are some... what kind of options we have if any. Because I have the same concerns about the inequities, they don't make sense at all and they don't seem fair. Equity is one of our goals in our real property tax laws.

Committee Vice Chair Rapozo: I think it's required by the Charter.

Ms. Yukimura: ...

Committee Vice Chair Rapozo: That we be equitable.

Ms. Yukimura: Yes but how you define it, you know.

Committee Vice Chair Rapozo: In the assessments.

Ms. Yukimura: Oh! Well in the assessments, yes.

Committee Vice Chair Rapozo: And that's what I'm talking about, the assessments.

Ms. Yukimura: So I just wanted to share that and anyway that's what I'm planning to do.

Committee Vice Chair Rapozo: Any other discussion?

Ms. Nakamura: Based on that, I would move to defer.

Committee Vice Chair Rapozo: Before that, I do have some comments, I just wanted to make sure everybody else had... Mr. Chair?

Mr. Furfaro: Yes and maybe if in referencing what the Council Vice Chair Yukimura just said, it might be nice to take the exemption figures we have now and try to calculate compounding them over a ten year period which might take us at twenty-six percent. It might take the minimum exemption to sixty thousand versus some of the numbers that are in the bill now. I'm just throwing that out as a calculation but it might be good to see this growth over a ten year period on what the exemption should be to create this equity and then also it might be... it might help us to have another chart that crosses over that shows how much the properties have devaluated themselves in the same ten year period and see where the lines cross.

Committee Vice Chair Rapozo: Thank you. Councilmember Yukimura.

Ms. Yukimura: I'm hearing the Chair say that as we look at manipulating the exemptions in terms of different scenarios, it would be helpful to look at how they would work over time. Is that what you are saying?

Mr. Furfaro: Yes.

Ms. Yukimura: I think that's a good suggestion.

Committee Vice Chair Rapozo: Did you want to come back up?

There being no objections, the rules were suspended.

Mr. Hunt: Just wanted to make one point clear too in terms of the exemptions and how they're applied currently. Any additional exemption not only affects those that are outside of the PHU but they also affect those within the PHU. For instance, someone who was fifty-nine prior to the last tax turn sixty, that additional forty-eight thousand exemption amount is calculated and applied on to their PHU taxes already. One of the issues and challenges we would have in implementing something to bring the disparity apart is going to have to be, we're only looking at adjusting the exemption to the market tax, and not the PHU which is Councilmember Bynum's proposal was looking at. So it's not just the amount of whether we need to change the exemption amount, it's can we do it in a timely fashion and can we do it only to one portion of the taxes and that's going to be somewhat challenging because if we say no additional exemption applied to the PHU what about that person who was fifty-nine that turned sixty that normally would have been entitled additional credit and we're saying no, additional credits are wiped out this year, we're not giving you additional credits. So it's just something for you to consider.

Committee Vice Chair Rapozo: Go ahead.

Mr. Furfaro: I think you do agree if we're comparing the 1999 values of exemptions to 2012 exemptions, it might be something to evaluate. You know nobody made a bad decision because they had too much information.

Mr. Hunt: Right and I agree with you on that that we should be looking at something like a COLA for the exemption that brings it current to where it's meaningful and impacting based on relative values at periods of time, that makes smart sense. But without the removal of the cap it may not do what you need to do in creating that disparity. To me the rate is the lever that makes that happen.

Mr. Furfaro: And again as the author of the cap eight years ago, it seems I'm hearing a lot of discussion about different (inaudible) saying what if we remove the cap and obviously I think the piece that everybody's missing in the cap, is not about people who have owned their homes longer and so forth benefiting more than those who just bought, the cap is predictable. Many people have not over the last three to four years even saw an increase in their paycheck so they want to make sure that their tax liability is predictable and I just wanted to add that. It's worth us having all this information of comparing a decade of the value of the exemptions to the current decade and only because it gives us more information. I'm not hearing enough about the fact that the cap makes it predictable.

Committee Vice Chair Rapozo: Thank you Steve.

There being no objections, the meeting was called back to order, and proceeded as follows:

Committee Vice Chair Rapozo: I just have a few comments, I already stated my position and I will not support this bill for many reasons. For one (1) I think the fiscal impact to this County, I think we heard last week from the Auditors, I think Mr. Furfaro's projections that he has been stating for quite a while here now was valid by the Auditors. That in fact we don't have this sixty million dollar, fifty million dollar wind fall that in fact we are headed for a two point eight million dollar shortfall. This bill will create a fiscal impact, a financial cost to this County. At a time that we don't even know what our State funding will be, the State is still having problems balancing their budget, we don't know what's going to happen with the TAT, we all may have our own ideas but we don't know until their session is done. I'll give you two (2) examples and one (1) of them is myself, if in fact this bill passes, I will pay twenty-five dollars a year in taxes. I almost feel that I should conflict out Mr. Chair because this is a direct financial benefit but I'm not supporting it. Now Mike Dahilig, and I'll use him because he gave me permission, a Planning Director, I don't know makes over a hundred thousand dollars a year, single... he will pay twenty-five dollars. Last night at the Tropic Care reception I spoke with another high level cabinet worker, I won't even say the gender, but that person will pay twenty-five dollars. Is that fair? No it's not. I have the confidence in the Administration, Steve, with your expertise and your department with accessibility to data, historical data projections going forward. What I saw today is very, I'm very pleased to have seen that in fact what you thought would have happened, did occur. We are on the track, on track to start providing targeted relief to the people that need it. There are numerous people that will benefit from this bill by paying twenty-five dollars a year, the minimum tax. I cannot support a bill that will allow that to happen. This is a feel good bill because it makes it seem like we're helping the people of Kaua'i but who are we helping? I would feel guilty sending a check for twenty-five dollars for my annual property, I really would. I think Mike Dahilig would as well and again I'm using his name with his permission. I think this needs to be thought out and we talk about setting rates and if you read our mandates, the mandate is simple, we determine the percentage of allocation of the debt load to the different classes of the taxpayers, residential, commercial, agricultural, resort... We determine what is that percentage. What will the homeowner, what will their burden be? Is it twenty-five percent? We cannot determine the tax rate today, we don't even know what the budget is. We don't get the budget until... the first round until the 15th and then we go through all the process, only after we come up with the budget that we will accept. Can we accurately determine, okay what is the debt load going to be with the taxpayer? If it's twenty-eight percent, then real simple. You take twenty-eight percent of what the budget is, divide it amongst your taxpayers, you get your tax rate, that's how it needs to be done. So we cannot set a tax rate today, that would completely not practical but I think the greater discussion needs to be what percentage of our budget cost is going to be allocated to the residential homeowner, the taxpayer. How many are we going to allocate to the resort community and the Ag community and the commercial community? My taxes right now, about twelve hundred a year and I live in a very small house, a very old house, I don't how the heck I pay so much but I'll go to twenty-five, who's going to make up that difference? Somebody has got to make up that difference and it may be the resort, it may be the commercial and I don't think that's right either. Because if you add them all up, somebody's going to have to pay that shortfall and when you looking at a shortfall of about two point eight million as it is, I am not comfortable adding more to that.

I won't be supporting the bill, I don't see any amendments that could possibly come through that would change my perception. We're in a tough position because the taxpayers out there are sending us the emails saying please pass this bill, we need the relief. They haven't been told the total picture. They haven't been explained the process of budgeting and this is a really good opportunity to appease the community but you know we got elected to make tough decisions. We get elected to make the decisions that are in the best interest of this community and I think this is a disservice to this County if this bill should pass. Yes, it's going to look good, it will because we upped the exemptions to two hundred and fifty thousand or two hundred and twenty-five thousand and so a lot of people will be happy... but who? Who's actually going to receive the benefit? I don't think that when you look at our responsibility to present a budget or pass a budget or tax rates that make this government work efficiently, it's going to cause us a lot more problems. We're going to have to transfer the tax burden into another class and I am not prepared to do that at this time. That's just my position on this bill, I mean I'm sure I'll get taken out of context tomorrow in the newspaper, he's not here but I'm sure he's going to be watching that Mel doesn't support tax relief. But I do support tax relief and I will say on the record that I am very pleased with what the Mayor and his Administration has done up to this point with what I saw today. I look forward to more benefits to the taxpayers that need the relief and I also want the Administration to really consider looking at a mechanism that's going to bring the equity back. It's a challenge, I understand Mr. Furfaro's concern about the cap, I mean I was here as well and I supported the cap, it was something that we needed to do on an emergency basis because things were going out of control. I love the predictability of the cap but I'll say this and this will be my last comment, when I was in high school, eighteen years old was the drinking age. It was wonderful for eighteen year olds. I went away for military, went all over and came back, and wow it was twenty-one. Now were those people that were nineteen and twenty, the people that were twenty-one, were they treated unfairly because they weren't able to enjoy the alcohol at eighteen, they weren't able to enjoy the alcohol at eighteen, no. We got to start if we're going to change and bring things in to equity, there's got to be a starting point and there's going to be a certain level of grandfathering if you will that's going to have to run through its course. We got to find a way and this is where I look at you guys, the experts, to bring the tax assessments and tax liabilities into equity for our taxpayers. I don't know that answer and I look to you folks to figure out how to get that done. But I think what you have done up to this point has worked. I look forward to future benefits for our taxpayers and I wholeheartedly support your efforts across the street.

Ms. Yukimura: I think we made a commitment to Mr. Bynum that we would do that so that he could come back to the meeting.

Upon motion duly made by Ms. Yukimura, seconded by Ms. Nakamura, and carried by a vote of 2:1:2 (Councilmember Rapozo voting no) (Councilmembers Bynum and Kuali'i excused), Bill No. 2425 was deferred.

There being no further business, the meeting was adjourned at 1:34 p.m.

Respectfully submitted,

Darrellyne M. Simao
Council Services Assistant II

APPROVED at the Committee Meeting held on **April 4, 2012:**

MEL RAPOZO
VICE CHAIR, FPP COMMITTEE